

EXHIBIT 2

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Puerto Rico

PROMESA Oversight Board Certifies Its Own Versions of Fiscal Plans for Commonwealth, PREPA, PRASA; Matosantos Does Not Support Either Version of Commonwealth Plan

Thu 04/19/2018 19:59 PM

Relevant Document: [Press Release](#)

With the PROMESA oversight board's certification of its versions of fiscal plans for the commonwealth, Puerto Rico Electric Power Authority and the Puerto Rico Aqueduct and Sewer Authority on Thursday, uncertainty regarding their full implementation remains as the administration of Gov. Ricardo Rosselló continues to reject pension cuts and further labor reforms.

The PROMESA board's twelfth public meeting - which was devoted to the outlining of the administration's versions of the three fiscal plans by commonwealth officials and the presentation of the PROMESA board's proposed fiscal plans by executive director Natalie Jaresko - was capped by certification of all three plans as published by the PROMESA board on April 18. While the votes on the PRASA and PREPA fiscal plans were unanimous, oversight board member Ana Matosantos cast a lone dissenting vote against the commonwealth.

During her remarks just before the vote, Matosantos said she could not endorse the board's version of the plan or the version put forward by the commonwealth. In explaining her vote against the board alternative, Matosantos said the board proposal "cuts too deeply" and "insufficiently capitalizes on federal funding" expected to pour into the island over the next two years. She criticized the proposed spending cuts to the University of Puerto Rico and said the plan would threaten the safety net for too many people. Matosantos called for an investment of \$2 billion to directly benefit the people of Puerto Rico, and called on island residents to "come together" around a new plan. Matosantos also warned against austerity measures "that generate near term surpluses but may return to fiscal cliffs" and said the fiscal plan should provide a "clear feasible path to plans of adjustment" and not another default.

Prior to the vote on the commonwealth fiscal plan, Christian Sobrino, the governor's *ex officio* member of the board and Fiscal Agency and Financial Advisory Authority board chairman, warned that the board's version of the commonwealth plan is based, in part, on legislation that does not yet exist. He also raised concerns over the enforceability of certain reforms under PROMESA. Sobrino urged the oversight board to "exercise caution," stressing the importance of taking actions necessary to get Puerto Rico out of the spiral that threatens its viability. The actions taken need to be "smart actions," Sobrino said. He said that the fiscal plan is intended to be a "financial planning tool" but could be turned into a "curse" if its projections don't pan out.

Other members of the board also delivered remarks prior to the vote. David Skeel acknowledged that this vote is a "tougher call" than his vote last year on the current certified plan, but Skeel and Carlos García said the plan, if fully implemented, will restore fiscal responsibility in Puerto Rico and put the commonwealth on a sustainable path to recovery.

Arthur González, participating by telephone, expressed his support for the oversight board's fiscal plan for the commonwealth, saying that it represented a pathway to stability and sustainable economic growth. "I believe board should taken all necessary steps under the law to ensure the fiscal plan will be fully implemented," Judge González said, adding that absent full implementation all constituents will suffer.

Andrew Biggs underlined the importance of both the pension and labor reforms, saying no previous

reforms in these areas have gone far enough to address these problems. Biggs noted that creditors would argue they have a higher priority than pensioners and that a larger cut than that being proposed by the board could take place through the Title III legal process. He also said there is a direct relation between Puerto Rico having some of the world's most restrictive labor laws and having one of the lowest labor participation rates in the world. Biggs also argued that it is now the best time for Puerto Rico to implement a more aggressive labor reform because the influx of federal funding will boost the economy over the next few years, which can help transition to having liberalized workplace rules.

At the outset of the meeting, the oversight board voted to approve the minutes of its [eleventh public meeting](#). Similar to previous meetings, the board also voted to approve a resolution regarding actions taken by the board between public meetings. The oversight board also announced that the April 20 meeting will include a presentation from independent investigator Kobre & Kim, which issued [its second interim report](#) on April 5.

During his discussion of the commonwealth fiscal plan, Fiscal Agency and Financial Advisory Authority Executive Director Gerardo Portela called on the PROMESA oversight board to "proceed as expeditiously as possible" in presenting plans of adjustment. Portela said that the commonwealth, even after undertaking structural reforms and right-sizing initiatives, needs debt restructuring and said that litigation and advisory costs must be kept down. He said that without debt relief and a closing of the Title III process, the "mutually agreed upon" measures in the fiscal plans would "lose their effectiveness."

Jaresko said she concurred with Portela and said the board is in discussions with bondholders across the different commonwealth credits towards that goal. Speaking during a press conference following the meeting, she said the board is talking to different classes of creditors at the same time and that there is no plan to push a particular plan of adjustment ahead of the others.

Commonwealth Plan

PROMESA board chairman José Carrión called for the governor and the Legislature to change their position and "comply with PROMESA" and fully implement the fiscal plan. He said that the board would consider taking legal action to compel commonwealth compliance.

"We've given it extensive thought and conversation," Carrion said. "We trust that the governor and legislature will comply with the PROMESA statute. If they do not we will revisit the issue. We will have to do everything within our power to comply with the law and that would include legal action."

In a statement released during the meeting, Rosselló said his administration will continue to reject the board's proposed pension cuts and further labor reforms. "It is unfortunate that the Oversight Board insists on establishing public policy and thus usurps the powers of the democratically elected government. If they were to carry out their plan, it would affect the execution of the fiscal plan by altering the established revenue projections," he said.

"The Board's purpose is to determine the overall financial numbers of the budget while the Government's purpose is to establish and carry out public policy," he added, saying his administration is committed to carry out "plans in which we have reached agreements so that we can achieve our fiscal and economic development objectives."

While board and commonwealth officials underlined the agreement over the great majority of the commonwealth fiscal plan elements, discussion of the plan during the meeting largely focused on the administration of Gov. Ricardo Rosselló's opposition to the board's 10% labor reform cut and the implementation of deeper labor reforms.

Jaresko signaled the PROMESA oversight board would use budget levers to ensure compliance with its newly certified fiscal plan for the commonwealth government.

Sobrino asked the PROMESA executive director how the fiscal plan may be affected if labor reform, for which no bill has been drafted, is not implemented by the plan's May 31 target date.

"To enforce the fiscal plan we would have to revise the revenue numbers because the fiscal plan includes the revenues projected with that growth and we would have to revise the reinvestment that came out of that revenue growth," Jaresko said, citing the example of health care measures in the plan. "You couldn't reinvest that and you would have to take those cuts now. Those revenues that are generated would have to be eliminated from the plan."

During his presentation of the government's proposed commonwealth fiscal plan, Portela said that the administration has not had sufficient time to "parse" the new proposal put forth by the PROMESA board, but said a "majority of the assumptions and initiatives" overlap with the commonwealth's plan.

Portela highlighted the administration proposal's right sizing and savings measures as well as a number of structural reforms aimed at boosting Puerto Rico's economic competitiveness over the long term. He criticized the board's insistence on imposing "deep additional cuts in the midst of a humanitarian crisis" that he said would expose a "wide swath of public employees" to potential layoffs, as well as its attempt to impose public policy initiatives that the administration opposes,

Portela said the commonwealth is "mindful" that the board can certify its own plan, but said the administration will "zealously protect and defend the sovereign powers of the government" to establish public policy.

Portela focused on two main areas of disagreement with the board: cutting pensions by an average 10% and the imposition of additional labor reform measures.

The AAFAF chief noted that the board lacks power over the private sector but has insisted on additional labor reform measures even though the administration has already undertaken a labor reform through Act 4 of 2017, which reduced statutory benefits for private employees and Act 26 of 2017, which rolled back or froze benefits of public employees, producing some \$400 million in savings.

The AAFAF chief said the administration believes these additional measures will only stoke outmigration from the island, deepening the island's fiscal and economic challenges. Likewise, Portela said that government retirees and workers have already suffered cuts to their pension benefits through reforms in 2013 and 2011. He said the proposed pension cuts sought by the board would have limited impact on government finances but could prove "devastating" to many retirees living off their pension.

He also said the administration believes that board's pension cut plan may be successfully challenged in the courts as many of the pension beneficiaries have a "proprietary right" over their pension benefits. He said the administration does not believe it is wise to spend significant time and effort on such a plan that will be challenged.

Despite these administrative initiatives, the board is seeking "even harsher cuts in the midst of a humanitarian crisis without waiting for the benefits of previous cuts to be realized," he said.

Portela said that the prudent course would be to wait for these previous initiatives to take effect before pushing forward with new benefit cuts, given their potential to harm the economy.

The AAFAF chief underlined that the commonwealth's fiscal plan does not entail "involuntary" workforce reductions, which prompted questions from board members about how they could meet their expense reduction targets if payroll costs were at least 50% at most agencies.

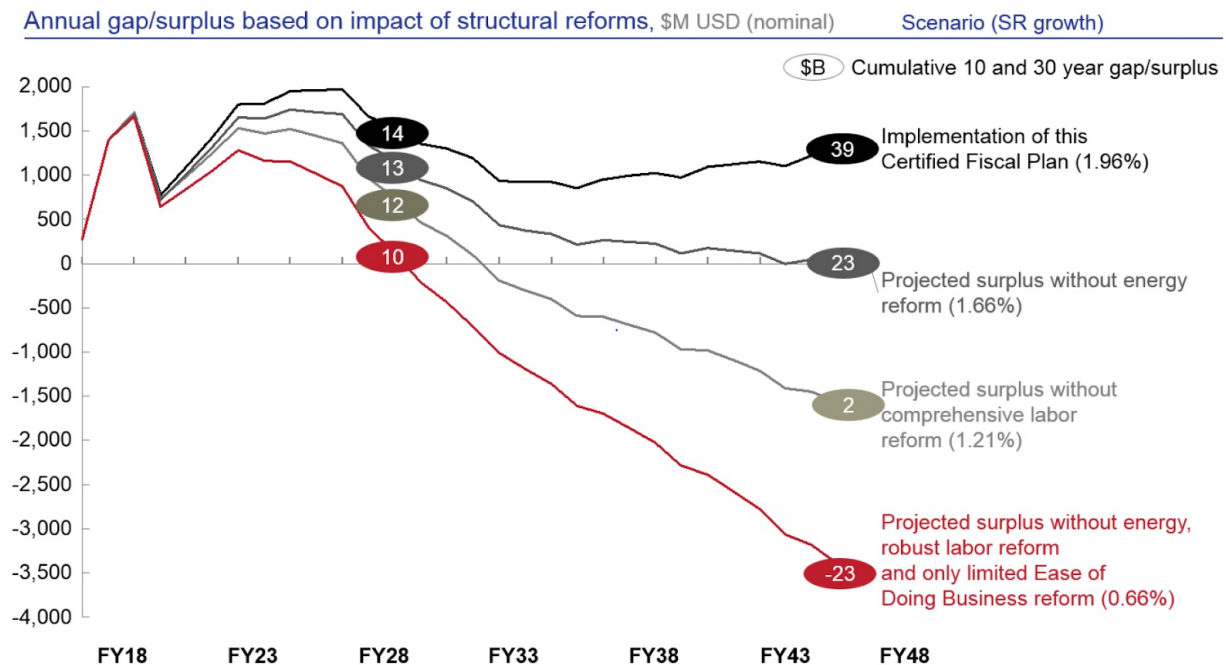
While Jaresko said that much of the board's fiscal plan is based on the commonwealth's submission, she said the pension and labor reforms and the additional cuts in the board plan are required for Puerto Rico to achieve sustainable growth after federal disaster funding runs out. She said the economy can't grow with the current 40% labor participation rate.

She also said that pension reform is also aimed at ensuring that government retirees continue to

receive pension payments, noting that they are viewed "as unsecured creditors in this Title III process."

During her presentation, Jaresko made repeated reference to the following graphic that shows the the annual gap or surplus based on the impact of each of the major structural reforms included in the board plan.

EXHIBIT 21: ANNUAL GAP/SURPLUS BASED ON IMPACT OF STRUCTURAL REFORMS



PRASA Plan

The PRASA fiscal plan unanimously certified by the PROMESA board was largely in line with the version submitted by the water utility with the lone substantial point of departure the approved pension cuts.

Portela characterized the utility's fiscal plan as a "foundation for what we hope will be a consensual restructuring of PRASA's debt." He said it incorporated all of the PROMESA board's directives except for the pension reductions.

PRASA Executive President Eli Diaz cited "substantial overlap" between the dueling PRASA fiscal plans and said the PROMESA board's version as certified today "incorporated non-substantive changes," with the exception of the pension reductions.

Diaz acknowledged difficulties in nailing down PRASA's needs in the wake of Hurricane Maria and how much federal aid may be in the pipeline, saying the fiscal plan may need to be amended in the future.

The PRASA chief said it is essential for the water utility to regain access to the capital markets. He said the fiscal plan will serve as a basis for restructuring negotiations, reiterating the aim to get both savings and new funding through a consensual deal with creditors.

Jaresko said a [proposed \\$80 million loan](#) from the commonwealth would keep PRASA cash positive until 2019, adding that the utility's debt restructuring is expected to be done by then.

The PROMESA board executive director expressed confidence that the fiscal plan would enable the commonwealth government to "reach its goal for a consensual restructuring under Title VI."

PREPA Plan

Addressing the proposed competing fiscal plans for PREPA, Portela stressed that whichever plan was ultimately certified will need to be modified and amended based on the ultimate form of the energy transformation. Echoing statements he made throughout today's meeting, Portela noted that the oversight board's version of the PREPA fiscal plan includes many recommended policy recommendations that "conflict" with the powers of the commonwealth government and "interfere" with the operation of PREPA. He also argued that several of the recommendations are based on "unfounded assumptions" and may also "negatively impact the transformation process we both support." Portela focused on the "aspirational" rate projections contained in the oversight board's PREPA plan, saying that they are based on "unrealistic operating scenarios." He also cited the lack of any "verifiable factual support" for the oversight board's "top-down" aspirational projections.

The oversight board's PREPA plan "raises several concerns," citing as an example the imposition of policy choices on the commonwealth government. Portela also questioned whether certain of the recommendations were achievable within a five-year term and warned that certain recommendations may also "chill market participation" in the transformation process. Portela outlined the following as examples of areas where the oversight board's PREPA plan either interferes with the government's policy making authority or attempts to improperly control PREPA's operations: (i) targets regarding rate design, reliability and resiliency; (ii) pension reform, which he said is "ill-advised" and "outside" the powers of the oversight board; (iii) the statement that the oversight board will lead the IRP; and (iv) operational enhancements, which Portela said are within PREPA's operational control.

Similar to his comments regarding the other oversight board-proposed fiscal plans, while Portela expressly acknowledged that the oversight board has the power to certify its own fiscal plan, the commonwealth is ready to implement those areas in which it is in agreement. However, according to Portela, the PREPA fiscal plan put forward by the oversight board cannot interfere with the commonwealth government's powers to make and carry out policy decisions or PREPA's right to control its operations. PREPA chief financial adviser Todd Filsinger also spoke briefly regarding the PREPA plan put forward by the commonwealth and offered certain criticism regarding the oversight board's version, including with respect to the proposed transformation projections.

During a question-and-answer session with the commonwealth officials, Sobrino noted that the legislation regarding privatization and concessions is currently being considered by the legislature and "should pass in the next week."

When asked about whether PREPA will need an additional loan, Filsinger said that he did not yet know whether PREPA will require additional funding, adding that \$150 million of the \$300 million loan from the commonwealth has been paid back. "That could change because it is a revolver," he said, adding that PREPA has a "pretty optimistic view" of cash collections.

Shifting to Jaresko's presentation of the oversight board's fiscal plan for PREPA, she began by reviewing the areas in which the oversight board and PREPA were aligned. Jaresko stressed that the oversight board's version of the PREPA plan is an "aspirational" plan that sets targets for rates, reliability and resiliency. She stressed that they are "only targets." She added that the fiscal plan is only one of the many components of PREPA's transformation.

In her remarks, Jaresko stated that the oversight board version does not assume or require investment in the Aguirre Offshore Gasport or additional gas infrastructure. Jaresko, responding to a question from Skeel, stressed again that the projections are aspirational and noted that they are based on a least-cost model. She also outlined the reasons why the oversight board's version of the PREPA plan calls for "one voice" in the transformation process. Following Jaresko's presentation, Sobrino stressed that the commonwealth government and the oversight board agree that if no transformation occurs, rates will increase to levels "that would have a devastating effect on the economy."

During the vote on the oversight board's proposed fiscal plan for PREPA, Skeel stressed the importance of PREPA's transformation, characterized the utility as the "lynchpin" for the commonwealth. He also noted the April 18 blackout, which he said "underscores" how important it is for the commonwealth to have reliable, affordable electricity on island and to have it as soon as realistically possible. The success of the PREPA fiscal plan is "absolutely essential," said Skeel.

The oversight board is [scheduled](#) to meet tomorrow, April 20, at 9 a.m. ET to consider certification of the fiscal plans for the University of Puerto Rico, the Puerto Rico Highway and Transportation Authority, COSSEC and the Government Development Bank.

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